

Message Text

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ORIGIN ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10

L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11

AID-05 COME-00 EB-08 FRB-03 TRSE-00 XMB-02

OPIC-03 LAB-04 SIL-01 OMB-01 DOE-15 SOE-02 INT-05

AGR-01 CTME-00 IO-13 /131 R

DRAFTED BY ARA/CEN:RCGRAHAM/LC

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FM SECSTATE WASHDC

TO AMEMBASSY TEGUCIGALPA PRIORITY

C O N F I D E N T I A L STATE 203959

E.O. 11652: GDS

TAGS:PORG, EINV, EAID, EFIN, HO

SUBJECT: PUBLIC AND PRIVATE SECTOR INQUIRIES ABOUT CHANGE
IN HONDURAN LEADERSHIP

1. AMONG MANY INQUIRIES RECEIVED BY ARA/CEN FOR CLARIFICATION OF WHAT HAS TRANSPIRED IN HONDURAS, THE FOLLOWING ARE TRANSMITTED SO THAT THE EMBASSY MAY FACTOR THEM INTO ITS EVALUATION OF DEVELOPMENTS.

2. ECONOMIC. THE HONDURAS DESK OF THE IBRD IS CLOSELY FOLLOWING WHETHER LUIS COSENZA OF THE NATIONAL POWER COMPANY (EENI) AND JOSE COELLO OF THE NATIONAL PORTS AUTHORITY WILL BE RETAINED IN THEIR POSTS. THE IBRD IS EQUALLY CONCERNED ABOUT GUILLERMO BUESO OF THE CENTRAL BANK. THE IBRD'S IMMEDIATE CONCERN IS ABOUT THE NISPERO POWER PROJECT (\$29 MILLION), WHICH IS THE FORERUNNER TO THE MAJOR EL CAJON HYDROELECTRIC PROJECT. THE BANK VIEW
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IS THAT REPLACEMENT OF COSENZA WOULD LEAVE A GAP. UNLESS HE WERE TO BE REPLACED BY AN EQUALLY COMPETENT PERSON, THE BANK WOULD BE SUBSTANTIALLY WORRIED THE EENI MIGHT NOT BE ABLE TO HANDLE THE PROJECT. THE LEVEL OF CONCERN ABOUT COELLO IS NOT AS HIGH. HOWEVER, THE BANK DOES HAVE AN ACTIVE LOAN WITH THE PORTS AUTHORITY AND HAS COMPLETE CONFIDENCE IN COELLO TO MANAGE IT.

3. THE STATUS OF GUILLERMO BUESO RELATES TO THE EL CAJON PROJECT. ACCORDING TO THE BANK, EL CAJON REPRESENTS 62 PERCENT OF HONDURAS' TOTAL INVESTMENT PROGRAM OVER A FIVE YEAR PERIOD. CONFIDENCE IN THE ABILITY OF HONDURAS TO MANAGE LARGE LOANS ESSENTIAL FOR THIS PROJECT IS, IN PART, RELATED TO THE LENDING AGENCIES CONFIDENCE IN BUESO. ACCORDING TO THE IBRD, THE EL CAJON PROJECT COULD BE SUBSTANTIALLY AFFECTED BY BUESO'S REPLACEMENT.

4. INSEARCH, A DIVERSIFIED ENERGY COMPANY IN DALLAS, HAS A CONTRACT WITH EXXON TO DRILL AN OFFSHORE OIL WELL IN HONDURAN WATERS. THE DRILLING RIG IS SCHEDULED TO BE TOWED TO THE SITE IN THE NEXT MONTH. THE COMPANY WAS ADVISED THAT THE NEW LEADERSHIP HAS PLEDGED TO RESPECT EXISTING CONTRACTS, AND THAT THERE HAS BEEN NO INTERRUPTION IN NORMAL BUSINESS ACTIVITIES. THE COMPANY WAS ALSO ADVISED TO CONSULT WITH EXXON IF THEY CONTINUED TO HAVE ANY DOUBTS AND CHECK BACK WITH THE DESK WHEN THE RIG IS READY FOR MOVEMENT FOR AN UPDATE ON DEVELOPMENTS.

5. OTHER BUSINESS INQUIRIES. CALLS WERE RECEIVED FROM PHILLIPS PETROLEUM, TEXACO, ROSARIO MINING COMPANY, NEW WORLD SHIPPING COMPANY OF HOUSTON, CASTLE AND COOKE, UNITED BRANDS AND SEVERAL BANKS.

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6. CONGRESSIONAL INQUIRIES FOR A BRIEFING CAME FROM THE OFFICES OF REPRESENTATIVES CLARENCE LONG, DANTE FASCELL AND EDWARD DERWINSKI.

7. OPIC - HAS TWO PROJECTS IN THE WORKS. THE OBENCHAIN STEEL MILL IN SAN PEDRO SULA, WHICH IS A \$2.5 MILLION JOINT VENTURE WITH CONADI; A \$300,000 WOOD PALLET INDUSTRY IN WHICH CODAFOR HAS A JOINT INTEREST. IS JUAN MARINAKYS STAYING ON AT CONADI? WE HAVE HEARD MARIO RUETT IS REPLACING HIM.

8. USAID. APPROVAL WAS GIVEN FOR PAMELA CROMBY TO TRAVEL TO CHOLUTECA TO WORK WITH HER ORGANIZATION "DIRECT RELIEF FOUNDATION" A PRIVATE VOLUNTARY GROUP. SHE WAS SCHEDULED TO SEE CINDY GALLUP OF USAID IN TEGUCIGALPA ENROUTE TO CHOLUTECA.

9. PL-480. TITLE III. WASHINGTON APPROVAL WAS GIVEN TO SEND INSTRUCTIONS TO USAID AUTHORIZING NEGOTIATIONS WITH THE GOH FOR A PL-480 TITLE III AGREEMENT FOR 15,000 METRIC TONS OF WHEAT FOR FY 78. AUTHORIZING MESSAGES ARE SCHEDULED TO BE SENT TO TEGUCIGALPA EARLY NEXT WEEK.

10. AUTHORIZATION WAS RECONFIRMED FOR THE US CUSTOMS
SERVICE TO RELEASE THE FOUR HONDURAN VESSELS SEIZED
IN DRUG VIOLATION CASES. VANCE

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